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SIPDIS  
ENERGY FOR ALOCKWOOD AND LEINSTEIN, DOE/EIA FOR MCLINE  
HQ SOUTHCOM ALSO FOR POLAD  
TREASURY FOR MKACZMAREK  
COMMERCE FOR 4332/MAC/WH/JLAO  
NSC FOR DRESTREPO AND LROSSELLO  
OPIC FOR BSIMONEN-MORENO

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SUBJECT: VENEZUELA: Chavez Declares Electricity State of Emergency

REF: 10 CARACAS 151; 10 CARACAS 139; 10 CARACAS 35; 09 CARACAS 1475  
09 CARACAS 1367; 09 CARACAS 1318

¶1. (U) SUMMARY: Speaking on national cadena (mandatory television and radio coverage of a presidential speech) around 5 p.m. on February 8, President Chavez emitted decree Number 7,228 declaring an electricity state of emergency and naming an "electricity general staff." Returning to national cadena at 11:00 p.m. the same night, Chavez announced electricity tariff fines for users that do not reduce consumption over the next sixty days as well as tariff discounts for those that do. Other electricity rationing measures across Venezuela remain in place. The government hopes the rationing will extend the time the Guri hydroelectric plant can operate assuming seasonal rains do not begin to replenish water behind the dam. According to statistics published February 8, Venezuelan electricity consumption grew 4.55% in 2009. END SUMMARY.

#### The Electricity State of Emergency

¶2. (U) President Chavez claimed that 46% of Venezuela's electricity consumption derives from the private sector, 25% residential, 17% the public sector, and 12% "social residences." He said, "This reflects the capitalist model. The great inequality. This is why we have to progressively change it." He designated residential users consuming more than 500 KWH of electricity as high volume users and mandated that they reduce consumption by 10% effective February 9 or face penalties (using the corresponding month in 2009 as the baseline). Chavez also claimed that 24% of residential consumers in Caracas meet the 500 KWH threshold. [NOTE: An energy specialist speaking on Globovision's "Alo Ciudadano" ("Good Morning Citizen") program noted that only 50% of Caracas consumers have electricity meters making it hard to measure consumption. The specialist said that almost all households consume more than 500 KWH. END NOTE] The announcement carried the following provisions to incentivize electricity savings:

B7 Failure to reduce consumption by 10% will result in a 75% charge to the monthly bill,

B7 Consumption increases greater than 10% will be fined by 100% of the monthly bill,

B7 Consumption increases greater than 20% will be fined by

200% of the electricity bill,

B7 Consumption decreases of 10-20% will receive a 25% discount, and

B7 Consumption decreases greater than 20% will receive a 50% discount from the bill.

Press reports of the President's statement did not include incentives for decreasing consumption up to 10%. [NOTE: Electricity tariffs in Caracas have not changed since 2002. END NOTE] The same incentive plan will be applied to commercial users consuming more than 25 KW. Commercial users that do not comply in the first month will be issued a warning. If they continue to violate the required reduction in consumption, electricity service will be cut for 23-48 hours. A third transgression will result in the permanent suspension of electricity service. These measures are in addition to mandatory electricity rationing (i.e., rolling blackouts) already in place outside Caracas. [NOTE: A rationing plan in Caracas was repealed by President Chavez on January 13, less than 24 hours after being implemented. END NOTE.] Chavez

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clarified, however, that the measures would not apply to the sanitation, health, fuel distribution, or security sectors.

13. (U) According to President Chavez, the declaration of an electricity emergency:

B7 Grants extraordinary powers to Electricity Minister Ali RodrC-guez to decree exceptional measures that he deems necessary to ensure the population's electricity supply.

B7 Charges RodrC-guez along with Planning and Finance Minister Jorge Giordani with designing and executing necessary measures to ensure that public and private entities pay their debts to the state-owned electricity utilities.

B7 Orders the national electricity holding company (Corpolec) and its utility subsidiaries to accelerate timelines and execution of work related to the expansion of the nation's electricity infrastructure and to adopt measures needed to guarantee continued electricity service.

B7 Permits Corpolec, with the permission of the Electricity Ministry, to enter into agreements with independent electricity providers to purchase electricity. [NOTE: The Bolivarian Republic of Venezuela (GBRV) nationalized most of the domestic electrical sector in 2007. END NOTE]

B7 Calls on all levels of government to eliminate any non-authorized connections to the national grid.

B7 Instructs the Electricity Ministry to produce a registry of entities that have a capacity to generate electricity.

B7 NOTE: Under Venezuelan law, a declaration of a state of emergency removes the requirement that government entities follow the regulations of the Public Law on Contracting. END NOTE.

14. (U) President Chavez also announced the establishment of an "Electricity General Staff" including, Vice-President Elias Jaua, Ministers RodrC-guez and Giordani, Minister of Energy & Petroleum Rafael Ramirez, and Minister of Basic Industry and Mining Rodolfo Sanz. Chavez charged this group with reviewing proposals submitted by the technical commissions sent by Argentina, Brazil, and Cuba and offers received from Chinese, Russian, and European businesses and their respective governments. Finally, Chavez claimed that he

would publish a list of 8,000 large consumers located in Caracas.

#### The Reason for the Emergency -- Guri's Steady Descent

15. (U) According to data published by the GBRV Office of National Electricity System Management (CNG), the water level in the reservoir of the critically important Guri dam was 265.77 meters above sea level (MSNM by its Spanish acronym) on November 1, 2009. By February 1, 2010 it had fallen to 258.08 MSNM. The Guri reservoir levels are critical as once it hits 240 MSNM the hydroelectric system will start to fail, effectively eliminating about 70% of Venezuela's electricity generating capacity (until water levels are restored). In the following graph of Guri's water levels (CNG data), EconOff added the linear trendline (an Excel function) in mid-January. At that point, it appeared as if Guri's water levels would not decline to critical levels in May. On February 2, Econoff added the red line reflecting the impact of a recent acceleration of decreases in Guri's water levels. This trend suggests water levels will drop to the critical 240 MSNM level by the beginning of June (unless rain significantly replenishes the Guri reservoir before then). Historically, the advent of the rainy season in May reverses declines in the

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reservoir's levels.

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16. (SBU) At a diplomatic event the evening of February 10, the Brazilian DCM told us that a Brazilian technical commission had just assessed that there is five months of water behind the dam. The commission also believed that it could provide technical assistance to the GBRV which would allow the generation of more electricity from Guri without the use of more water, thus extending for 40 days the period before the dam would have to shut down. In contrast, the Russian DCM at the same event said that a visiting Russian commission had reached the conclusion that there were no realistic short term measures to avert a crisis if water fell below minimum levels at the Guri dam. By contrast, senior Central University of Venezuela (UCV) professors told EconOff on February 10, that based on confidential electricity system data they had the Guri reservoir would hit critical levels in April. The Brazilian commission confirmed that Venezuela only has 17 GW of available capacity and needs to add 4 GW of capacity to the system [NOTE: Venezuela has an installed capacity of 23.65 GW - 14 GW of hydroelectric and nearly 9.65 GW of thermal electric. Only 12.8 GW of installed hydroelectric capacity is currently available and 4.9 GW of thermal electric installed capacity is available. END NOTE.]

17. (SBU) COMMENT: There is no consensus on how soon a crisis might occur, but there is consensus that sometime between April and July one will transpire stemming from the possible shut-down of the Guri hydroelectric plant. In the meantime, there appear to be no short term measures to avert severe rationing if rain does not begin to refill the Guri basin in the next four to five months. This is just about the time when heavy rain is expected in the Amazon basin which feeds the Caroni river and Guri dam. The collapse of Guri could profoundly affect nearly every aspect of life in Venezuela. Chavez's announcement effectively implements rationing in Caracas - although not the rolling blackouts associated with the failed January plan - and is intended to extend the time Guri can generate power, assuming there is no rain. END COMMENT.  
DUDDY